APPROVED BUDGET

2012/2013 TO 2014/2015 FINANCIAL YEAR MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

TABLE OF CONTENTS

PART 1: ANNUAL BUDGETS

PART 2: SUPPORTING DOCUMENTATION

PART 1:

ANNUAL BUDGET

MAYOR’S REPORT

1. INTRODUCTION

In his budget speech to council, the mayor highlighted the following-

We are once more gathered here just few weeks from the sadness encounter through the passing away of the former minister of Co-operative and Traditional Affairs, cde, Shicelo Shickeka, Minister of Public Service Cde, Roy Padayeche and Cde, George Phadagi the former MEC for Safety, Security and Liaison.

The passing away of these heroes of our struggle and leaders of our liberation movement signifies a very important reminder to all of us that when deployed by the organisation in whatever position or place, we must work selflessly and emulate our laid comrades, for that they worked for our people from a particular epoch to the other, as they join the African national congress ancestors such as John Langalibe Dude ,O.R Tambo,Oom Gov,Ray Mhlaba,Walter Sisulu,Lilian Ngoyi, Helen Joseph,Ma- Albertina Sisulu, Peter Mokaba, Mark shope, Tryphina Bvuma and many of our unsung heroes and heroines.

Greater Giyani Municipality’s budget approved before Council this day, is prudently informed by the needs profile and the confirmed revenue resources of the municipality.
It endeavours to the best extent possible to uphold the national budget intentions laid down in the State of the Nation Address.

This is our first budget this term of our office which begun on the 18th May 2011 and it is clear to all of us that we are one year old in office. Therefore it is expected that we should begin to do the real work rather than to give excuses that we are new.

It is expected of us here today to outline in precise terms what we intend achieving in the coming financial year, but before we do that I beg your indulgence as we report to this Council the milestones and setbacks experienced in the 2011/2012 financial year as it is coming to an end.

The key components of the multi-year budget are:

1.1. Human capital development

The allocation for the training and development of councillors, officials and ward committees is R1.4M.
This is an increase of 14,15% on last year's budget, and will serve to further address the need to improve current skills, acquire new skills and support capacity enhancement initiatives for the incoming council in order to enable the municipal machinery to more effectively deal with the daunting challenges of service delivery improvement to all our communities.

1.2. Investment in operating activities

The allocation for operating activities R162,3M, 7,2% of which is dedicated to programmes with social and community bias such as sports, arts & culture support, youth empowerment, HIV/ Aids – related initiatives and traditional authorities support.
The remainder of the allocation will be applied to address the needs relating to operational efficiency and administrative support.
The comparative budget for 2011/2012 was R156M while an amount of R350, 2M is allocated for the next two years.

1.3. Indigent support services

The budget sets aside R6,2M for indigent support in the form of free basic services such as electricity, excluding subsidised rates for free basic water in billed areas.
The comparative allocation for the prior year is R5, 5M; and to further reduce the basic services backlog, households earning incomes below the poverty line will benefit R13, 4M from the allocations for the two outer years.
Based on current year budget performance to 31 March 2012, the budget for the current financial year will be fully utilised.

1.4. ICT infrastructure upgrade

The budget allocation is R2, 7M.
This will address ICT related needs in line with the municipal ICT Master Plan (which includes upgrading, new acquisitions, replacements and enhancements as well as maintenance), as well as the operationalization of the traffic management system in the new Traffic offices.
The comparative figure for the prior year is R1, 2M, while projected spending over the next two years is R5, 9M.
The current year ICT budget is projected to be fully spent by 30 June 2012.

1.5. Capital investment

The amount allocated for infrastructure maintenance is R6,9M.
The budget will cater for maintenance of buildings, cementries and road infrastructure in the CBD and township, excluding upgrade work which will be undertaken through capital programmes.
The prior year comparative figure is R6,3M while, on the other extreme, an amount of R14,9M will be injected into this priority area over the next two years.

An amount of R73, 5M will be invested in capital projects and is allocated as follows:
The projects funded by MIG totalled to R34 514 450 out of the allocation of R36 331 000.The 5% of the allocated cater for operational activities for the PMU section. The remainder of the capital projects is own funded.
Capital investment will be increased to R110, 2M over the medium term period.

1.6. Revenue –modelling 2012/2013

The income of R219,3 which underpins our budget is based on sound revenue models and projections.
A municipal tariff structure for the range of services provided by the municipality has been put in place to ensure that the municipality achieves its target of R46, 7M in own revenue.
The 2012/2013 tariff structure introduces property rates on the former District Management Areas (DMAs) falling with the Far North Region of Kruger National Park.
All positively identified and confirmed revenue sources, including intergovernmental transfers, have been taken into account in arriving at the revenue estimates that constitute this budget funding envelope.

1.7. Conclusion

With these allocations we aim to bring tangible changes to the lives of our people.
The State President, through the SONA, has drawn the line of march which we need to toe, and this budget is adding money to it.
Our cherished objectives are reducing poverty, creating jobs and creating a better life for all.
I am mindful that debilitating and grinding poverty still afflicts and chains the majority of our rural population.
I am mindful that serious service backlogs and lack of adequate infrastructure network are still issues to be addressed aggressively throughout our municipality.
I am convinced that true democracy and under-development are antithetical concepts - they cannot co-exist, not among our people.
In this spirit, I therefore challenge us to make it the privilege and burden of all of us who consider ourselves bound to this municipality with loyalties and allegiances which are broader and deeper than our individualism and self-interests to support our service delivery and budget implementation processes.

Having regard to the foregoing facts, I would like to direct attention to the annual budget of the municipality, structured as follows—

A total funding envelope of R219.3M for the first budget year, to be channelled to spending as follows—

Capital Projects spending budget of R73, 5M.

Operational costs budget of R162,3M.

Further, note should be taken that special focus and general programmes for an amount of R11, 6M are included in the operating budget.

2. COUNCIL RESOLUTIONS

On 25 May 2012, the council of Greater Giyani Municipality met in the Giyani Old legislative Assembly Hall to consider the annual budget of the municipality for the financial year 2012/2013.

The council of Greater Giyani Municipality, acting in terms of section 24 of the Municipal Finance Management Act (Act 56of 2003), approves and adopts –

The annual budget of the municipality for the financial year 2012/13 and the multi-year and single year capital appropriations as set out in the following tables:

a. Budget Summary as contained in Table10 MBRR A1
b. Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) as contained in Table 11 MBRR A2
c. Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) as contained in Table 12 MBRR A3
d. Budgeted Financial Performance (Revenue and Expenditure) as contained in Table 14 MBRR A4
e. Budgeted Capital Expenditure by Vote, Standard Classification and Funding as contained in Table 15 MBRR A5
f. Budgeted Financial Position as contained in Table 16 MBRR A6
g. Table 17, MBRR A7 - Budgeted Cash flows as contained in Table 17 MBRR A7
h. Cash backed Reserves/ Accumulated Surplus Reconciliation as contained in Table 18 MBRR A8
i. Asset Management as contained in Table 19 MBRR A9
j. Basic Service Delivery Measurement as contained in Table 20 MBRR A10

The council of Greater Giyani Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the Tariff Structure of municipal services as set out in Annexure A.

To give effect to the Municipality's annual budget, the Council of Greater Municipality approves that cash backing be implemented through the utilisation of revenue from municipal services to ensure that capital reserves and provisions, and, unspent conditional grants are cash-backed as required in terms of the municipality's funding and reserves

3. EXECUTIVE SUMMARY.

3.1. The municipality tabled a budget representing a ratio of 31:69 capital to operating spending as set out in the annual budget tables MBRR A1 to A10.

3.2. Revenue is expected to improve as the former DMAs come on the valuation roll and revenue enhancement strategies gain traction. As a result the revenue budget is higher over the forecast period.

3.3. The municipality still budget for a cash-based zero surplus/deficit for 2012/13 and the medium term.

3.4. The municipality gross debt level is estimated to rise due to levying of interest on overdue accounts, but at a progressively reducing rate as this, coupled with credit control measures, is likely to serve as a deterrent against payment defaulting. This is expected to continue until full current billing collection is realized, which can only become foreseeable towards the end of the medium term.

3.5. National Treasury's MFMA Circular No 59 was used to guide the compilation of the 2012/13 MTREF.

3.6. The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and escalating consumer services and rates debt;
- The increased cost of bulk water and electricity.
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with routine maintenance needed to be factored into the budget as part of the 2012/13 MTREF process; and

• Availability of affordable capital/borrowing

3.7. The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;

• Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

• Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity.

In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

• There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

3.8 FINANCIAL IMPLICATIONS

• Overall, the MTREF budgets appropriates a total allocation of R219,3M for spending in the first year, which will be increased by R493,8M over the medium term period. The increase on the previous year budget (of R216, 1M) is 1,5 per cent.

• Grants and transfers from national government contribute R172, 6M to the funding envelope while the municipality's internally-generated revenue accounts for the balance of R46, 7M, making the dependency ratio to grants on 78%.

3.9. SERVICE DELIVERY IMPLICATIONS

The central tendency of this budget is that of continuity within medium-term budgeting – building on past achievements and strengthening alignment between institutional priorities and service delivery improvement. The budget does not therefore introduce new priorities to the SDBIP, but revised alignment of priorities to funding.

• The MTREF budget presents the fiscal framework within which the municipality will work to deliver on the spending priorities of the government, namely, basic education, health, community safety, rural development job creation and investment, within the context of the municipality's powers and functions.

• The budget for maintenance increases by 8,7 per cent from R6, 3M to R6, 9M. This is an acknowledgment by the municipality of the deteriorating service delivery assets and the need for renewal maintenance, as well as the prohibitive funding situation.

• The R132, 6M in LGES is spread between capital projects and operational requirements.

• The balance of the budget allocated for operating expenditure will also go a long way in improving operational and administrative capacity and efficiency to support the implementation of service delivery programmes and initiatives

3.10. TARIFF PERFORMANCE OUTCOMES

• As presented in details under the Mayor's Report, tariff performance translates into overall financial performance as follows:

• Actual revenue collected from municipal rates and services for the year-to-date period ended 28 February 2012 is R13, 1M.

3.11. CONSOLIDATED OVERVIEW OF 2012/13

• In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1: Overview of the proposed 2012/13 Medium term revenue & expenditure framework

R'000	**Adj. budget 2011/12**	**2012/13**	**2013/14**	**2014/15**
Total operating revenue	168 909	182 986	192 114	206 859
Total operating expenditure	156 105	162 333	170 936	179 312
Surplus/(Deficit)	12 805	20 653	21 178	27 548

Total Capital expenditure	78 029	73 554	53 721	56 513

Total operating revenue has grown by 8.3 per cent or R14 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 4,9 and 7,7 per cent respectively, equating to a total revenue growth of R23,9 million over the MTREF when compared to the 2011/12 financial year.

• Total operating expenditure for the 2012/13 financial year has been appropriated at R162,3 million and translates into a budgeted non-cash deficit of R20,6 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 3,98 per cent in the 2012/13 budget and by 5,3 and 4,9 per cent for each of the respective outer years of the MTREF. Financial performance for the two outer years improved from a non-cash deficit of R20,6 million to R21,1 million, and then to a surplus of R27,5 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

• The capital budget of R73,5 million for 2012/13 is 5,7 per cent less when compared to the 2011/12 Adjustment Budget. The reduction is due to 2010/11 projects being finalised in the 2011/2012 financial year as well as affordability constraints in the light of current economic circumstances. The capital projects decreases to R53,7 million in the 2013/14 financial year and then increases in 2014/15 to R56,5 million. A substantial portion of the capital budget will be funded from inter-governmental transfers over MTREF with anticipated capital transfers of R94,8 million in each of the financial years of the MTREF.

3.12. OPERATING REVENUE FRAMEWORK

For Greater Giyani Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90% per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services and
- Tariff policies of the municipality.

Revenue growth is 8.3 per cent when compared to the 2011/12 Adjustments Budget,
and 4,9 and 7,7 per cent respectively for the two outer years.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise close to 70 per cent of the total own-generated operating revenue mix. A notable trend is the increase in the total percentage revenue generated from rates and services charges. Details in this regard are contained in Table 53 MBRR SA1.

Operating grants and transfers totals R119,2 million in the 2011/12 financial year and gradually increases to R157,8 million by 2014/15. Table32 MBRR SA18 gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:
Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

3.12.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No 51 deals inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1.The implementation of these regulations was done in the previous budget process.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rate -able value (Section 17(h) of the MPRA). In addition to this rebate, a further R6 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy.

- In terms of the property rates policy, 100 per cent rebate will be granted to registered indigents, pensioners, physically and mentally disabled persons.

There are no tariff changes proposed for the 2012/13 financial year.
The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year from 1 July 2012 are contained below:

Table 2: Comparison of proposed rates to levied for the 2012/13 financial year

CATEGORY	Current tariffs	New tariffs	% change
Business-			
Land and improvements	0.39 per R1	0.39 per R1	0.0%
Government-			
Land and improvements	0.033 per R1	0.033 per R1	0.0%
Residential(proclaimed area only)			
Land and improvements	0.0091 per R1	0.0091 per R1	0.0%
Vacant Land	0.039 per R1	0.039 per R1	0.0%

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Tariffs are designed to charge higher levels of consumption higher rates. A basic charge is levied for the maintenance of the service infrastructure.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

3.12.2. Waste Removal and Impact of Tariff Increases

Tariff increases for the various consumer categories vary between 0,6 per cent and 4,3 per cent with effect from 1 July 2012. This is based on the input costs and normalization of tariffs which were not cost-reflective in the previous financial years.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 3: Comparison between current waste removal fees and increases

Category	Current tariffs	New tariffs	% Change
Waste removal-Government	R1280 per month	R1350 per month	5.5%
Waste removal-Big business	R1280 per month	R1350 per month	5.5%
Waste removal-medium business	R640 per month	R675 per month	5.5%
Waste removal-small business	R270 per month	R285 per month	5.5%
Waste removal-churches & schools	R215 per month	R227 per month	5.5%

3.12.3. Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 4: MBRR Table SA14 –Household bills

LIM331 Greater Giyani - Supporting Table SA14 Household bills

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
Rand/cent		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13 % incr.	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		422 750.00	3 686 000.00	2 187 014.00	4 013 000.00	4 013 000.00	4 013 000.00		3 339 079.00	4 243 942.00	4 456 139.00
Electricity: Basic levy		–	–	–	–	–	–		–	–	–
Electricity: Consumption		–	–	–	–	–	–		–	–	–
Water: Basic levy		224 605.00	–	–	–	–	–		–	–	–
Water: Consumption		2 021 447.00	–	–	–	–	–		–	–	–
Sanitation		157 017.00	272 587.00	–	–	–	–		–	–	–
Refuse removal		534 210.00	1 062 061.00	612 345.00	1 296 929.00	1 296 929.00	1 296 929.00		2 243 657.00	1 462 627.00	1 535 758.00
Other		–	–	–	–	–	–		218 011.00	–	–
sub-total		3 360 029.00	5 020 648.00	2 799 359.00	5 309 929.00	5 309 929.00	5 309 929.00	9.2%	5 800 747.00	5 706 569.00	5 991 897.00
VAT on Services		411 219.06	186 850.72	85 728.30	181 570.06	181 570.06	181 570.06		344 633.52	204 767.78	215 006.12
Total large household bill:		3 771 248.06	5 207 498.72	2 885 087.30	5 491 499.06	5 491 499.06	5 491 499.06	11.9%	6 145 380.52	5 911 336.78	6 206 903.12
% increase/-decrease			38.1%	(44.6%)	90.3%	–	–		11.9%	(3.8%)	5.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		1 268 250.00	############	4 440 302.00	############	############	############		6 779 341.00	############	############
Electricity: Basic levy				–	–	–	–			–	
Electricity: Consumption				–	–	–	–			–	
Water: Basic levy		673 815.00	–	–	–	–	–			–	
Water: Consumption		6 064 341.00	–	–	–	–	–			–	
Sanitation		471 052.00	817 762.00	–	–	–	–			–	
Refuse removal		1 602 631.00	3 186 183.00	1 243 246.00	3 890 789.00	3 890 789.00	3 890 789.00		4 555 304.00	4 387 882.00	4 607 276.00
Other		–	–	–	–				442 628.00	–	–
sub-total		############	############	5 683 548.00	############	############	############	(26.1%)	############	############	############
VAT on Services		1 233 657.46	560 552.30	174 054.44	544 710.46	544 710.46	544 710.46		699 710.48	614 303.48	645 018.64
Total small household bill:		############	############	5 857 602.44	############	############	############	(24.3%)	############	############	############
% increase/-decrease			38.1%	(62.5%)	181.2%	–	–		(24.3%)	42.1%	5.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		169 100.00	1 474 400.00	1 420 000.00	1 605 200.00	1 605 200.00	1 605 200.00	#NAME?	1 803 000.00	1 697 577.00	1 782 456.00
Electricity: Basic levy				–	–	–	–		–	–	–
Electricity: Consumption				–	–	–	–		–	–	–
Water: Basic levy		89 842.00	–	–	–	–	–		–	–	–
Water: Consumption		808 578.00	–	–	–	–	–		–	–	–
Sanitation		62 807.00	109 035.00	–	–	–	–		–	–	–
Refuse removal		213 684.00	424 824.00	489 385.00	518 771.00	518 771.00	518 771.00	#NAME?	552 456.00	585 051.00	614 304.00
Other											
sub-total		1 344 011.00	2 008 259.00	1 909 385.00	2 123 971.00	2 123 971.00	2 123 971.00	10.9%	2 355 456.00	2 282 628.00	2 396 760.00
VAT on Services		164 487.54	74 740.26	68 513.90	72 627.94	72 627.94	72 627.94	#NAME?	77 343.84	81 907.14	86 002.56
Total small household bill:		1 508 498.54	2 082 999.26	1 977 898.90	2 196 598.94	2 196 598.94	2 196 598.94	10.8%	2 432 799.84	2 364 535.14	2 482 762.56
% increase/-decrease			38.1%	(5.0%)	11.1%	–	–		10.8%	(2.8%)	5.0%

4. OPERATING EXPENDITURE FRAMEWORK

The municipality’s expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA; and
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 5: Summary of operating expenditure by standard classification item

‘	2008/9 audited	2009/10 audited	2010/11 audited	2011/12 Original budget	Adjusted budget	Full year forecast	Pre-audit outcome	Budget year 2012/13	Budget year 2013/14	Budget year 2014/15
Employee related cost	48 717	63 011	69 016	76 398	72 264	72 264	72 264	73 736	77 644	81 449
Remunerations of councillors	11 804	12 256	12 900	15 044	13 954	13 954	13 954	14 910	15 700	16 470
Debt impairment	9 564	7 863	4 988	13 090	13 090	13 090	13 090	13 090	13 784	14 460
Depreciation	1 589	14 122	17 957	14 701	18 000	18 000	18 000	18 000	18 954	19 883
Finance charges	212	38	235	170	170	170	170	170	179	188
Bulk Purchases	-	-	-	-	-	-	-	-	-	-
Other materials	757	608	810	2 528	1 551	1 551	1 551	2 097	2 208	2 316
Contracted services	3 843	3 135	1 436	10 972	12 440	12 440	12 440	12 197	12 843	13 473
Transfer and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	16 545	22 617	35 603	21 705	24 635	24 635	24 635	28 132	29 623	31 074
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-
TOTALS	93 031	123649	142946	154608	156105	156105	156105	162333	170936	179312

4.1. Employee related costs

- The budgeted allocation for employee related costs for the 2011/12 financial year totals R72,3 million, which equals 46,3 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2012/13 financial year. An annual increase of 5.3 per cent and 4,9 per cent has been included in the two outer years of the MTREF. Expenditure against overtime is only provided for emergency services and other critical functions.

4.2. Remuneration of councillors

- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

4.3. Debt impairment

- The provision of debt impairment was determined based on an annual collection rate of 65 per cent and the Debt Collection policy of the municipality. For the 2012/13 financial year this amount equates to R13,1 million and escalates to R13,8 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

4.4. Depreciation and asset impairment

- Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R18 million for the 2012/13 financial and equates to 11 per cent of the total operating expenditure.

4.5. Finance charges

- Finance charges consist primarily of transaction fees and service charges on the municipality's primary and salary bank accounts. Finance charges make up 0,1 per cent of operating expenditure. The significant reduction in finance charges compared to past financial period resulted from the paid up overdraft facility and operating on positive cash balances.

4.6. Bulk purchases

• Note should be taken that although the municipality provides water distribution services; it did not budget for bulk water purchases pending the signing of an agreement with Mopani District Municipality appointing the municipality as water services provider. Revenues, costs and liabilities relating to the water function are ring-fenced and transferred to an inter-municipal account designated for the District municipality which is the water services authority.

4.7. Other materials

• Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2012/13 the budget is 2,1 million , 2,2 and 2,3 for the two outer years.

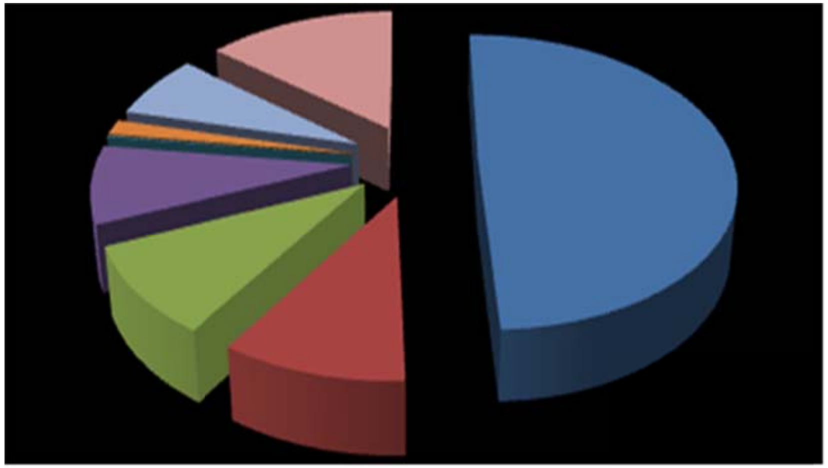
4.8. Contracted services

- Contracted services have been identified as a cost saving area for the municipality. In the 2012/13 financial year, this group of expenditure totals R12,1 million. The municipality will continue to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. Further details relating to contracted services can be seen in MBRR SA1.

4.9. Other expenditure

• Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure make up 17,3 per cent of the total operating expenditure.

The following table gives a breakdown of the main expenditure categories for 2012/13:



Employee costs , 45,4%
Remuneration of councillors, 9,2%
Depreciation 11,1%
Debt impairment 8,1%
Finance Charges 0,1%
Other materials 1,3%
Contracted services 7,5%
Other expenditure 17,3%

Figure 1: Main operational expenditure categories for the 2012/13 financial year.

4.10. Priority given to repairs and maintenance

- Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2011/12 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the MBRR, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance

Table 6: operational repairs and maintenance

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Other materials		757	608	810	2 528	1 551	1 551	1 551	2 097	2 208	2 316
Contracted Services		1 136	912	2 159	3 792	4 741	4 741	4 741	4 848	5 105	5 355
Total Repairs and Maintenance Expenditure	9	1 893	1 520	2 969	6 320	6 292	6 292	6 292	6 945	7 313	7 671

- During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of municipal infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 11,2 per cent in the 2011/12 financial year, from R6,2million to R6,9 million. As part of the 2011/12 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2013/14 and 2014/15 grows by 5,3 per cent and 4,9 per cent respectively. In relation to the total operating expenditure, repairs and maintenance remain below 5% for the respective financial years of the MTREF, which is still a serious challenge in view of the ageing municipal infrastructure .

Table MBRR SA34c provides a breakdown of the repairs and maintenance in relation to asset class as follows—

- For the 2012/13 financial year, R3,9 million of total repairs and maintenance will be spent on infrastructure assets. Road infrastructure has received a significant proportion of this allocation totaling R3,5 million, followed by electricity at R0,4 million).

4.11. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy The target is to register 90 000 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement) .The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

25 |

5. CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 9: 2012/13 Medium-term capital budget per vote

Vote Description R thousand	Adjustment	2012/13 Medium Term Revenue & Expenditure Framework		
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure				
EXECUTIVE & COUNCIL	0	50	–	–
CORPORATE SERVICES	20,521	23 990	10 021	10 563
BUDGET & TREASURY	-	–	–	–
PLANNING & DEVELOPMENT	15, 950	9 930	100	1 150
COMMUNITY & SOCIAL SERVICES	5, 305	12 284	5 600	15 800
INFRASTRUCTURE DEVELOPMENT	36 253	27 300	38 000	29 000
Total capital expenditure	78 029	73 554	53 721	56 513

For 2012/13 an amount of R27,3 million has been appropriated for the development of infrastructure which represents 37 per cent of the total capital budget. In the outer years this amount totals R38 million, 70,7 per cent and R29 million, 51,3 per cent respectively for each of the financial years.

Further detail relating to asset classes and proposed capital expenditure is contained in

MBRR Table A9 (Asset Management) . In addition to the MBRR
MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class .

6. ANNUAL BUDGET TABLES

The following nineteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the Municipality’s 2012/13 budget and MTREF as approved by the Council each table is accompanied by explanatory notes on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
        iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function.
4. Functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R219,3 million in 2012/13 and escalates to R237.4 million by 2013/14. This represents a year-on-year increase of 1.5 per cent for the 2012/13 financial year and 8.3 per cent for the 2013/14 financial year.

2. Revenue to be generated from property rates is R28 million in the 2012/13 financial year and increases to R29.5 million by 2013/14 which represents 12.8 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 12.4 per cent, and 12.1 per cent for each of the respective financial years of the MTREF.

3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R4.5 million for the 2012/13 financial year and increasing to R4.6 million by 2014/15. For the 2012/13 financial year services charges amount to 2 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.

4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 14.3 per cent for 2012/13 financial year , 6.6 per cent and 8.6 per cent for the two outer years.

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2012/13 R64 million has been allocated of the total R73.5 million capital budget. This allocation escalates to R43,7million in 2013/14 and then flattens out to R45,9 million in 2014/15 .

3. Single-year capital expenditure has been appropriated at R9,4 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of R10 million and R10,6 million respectively for the two outer years.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R36.3 million and escalates to R49.5 million by 2014/15 .

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:

   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non current;
   - Changes in net assets; and
   - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The approved 2011/12 MTREF provide for a further net decrease in cash of R16,7 million for the 2011/12 financial year resulting in an overall projected position cash position of R49 million at year end.
4. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.

5. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R21.5 million as at the end of the 2012/13 financial year and escalates to R94,1 million by 2014/15.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality strategy to address the maintenance backlog.

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

2. The municipality continues to make good progress with the eradication of backlogs:

   a. Water services – backlog will be reduced by over 66 357 households in 2012/13 . These households are largely found in 'reception areas' and will need to be moved to formal areas so that they can receive services.

   b. Sanitation services – backlog will be reduced by over 65 776 households over the MTREF. The number of households with no toilet provision will be reduced by 18000 households in 2012/13.

   c. Electricity services – backlog will be reduced by 66 000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 69 000 households budgeted to be electrified in 2013/14.

   d. Refuse services – backlog will be reduced by 66 255 households in 2012/13, and a further 69 270 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

PART 2: SUPPORTING DOCUMENTATION

7. SUPPORTING DOCUMENTATION

7.1 OVERVIEW OF ANNUAL BUDGET PROCESS

Background

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2011. Key dates applicable to the process were:

August 2011

- Review of previous year's budget and IDP process and completion of budget evaluation checklist.
- Develop a timetable of key budget and IDP deadlines for the 2012/2013 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

October 2011

- Review past performance (financial & non-financial): Analysis of current reality including basic facts and figures.
- Review long term plans, setting out long term performance plans in terms of outcomes, service level requirements, demographics, backlogs etc.

November 2011

- Initial tariff and revenue modeling.
- Integrate macro-economic indicators using Medium Term Budget Policy Statement (MTBPS) from NT.
- Projects prioritization with the communities: Input and feedback flow.

January 2012

- Draft HR plan including personnel budgets.
- Draft IDP amendments.
- Draft operating and capital plans per function or department, detailing service levels, initiatives, financial forecasts and non-financial indicators
- Detailed line item budget in line with operating and capital plans per function or department.
- Prepare and submit to NT, PT and DLG&H the annual reports for 2010/11 and all prior years.
- Assess municipal performance for the first 6 months of 2011/12 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2011/12 adjustment budget.

March 2012

- Table Draft Budget Document: Information from operational plans and line item budgets are combined to form the draft annual budget document
- Update and develop sector/ integrated plans/ programmes.

April 2012

- Public consultations and budget debates (commencement): Make budget available to and considers views of the public, NT, PT and other stakeholders.

May 2012

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2012/13.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The draft 2012/13 MTREF budget and IDP were tabled before council on 30 March 2012 and approved on 25 May 2012.

7.2. Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

The Integrated Development Plan of the Municipality has been developed within an approved IDP framework and process plan 2011/12. The framework indicates legislation requiring the development of the IDP and sector plans, stakeholders' roles and responsibilities, timeframes and activities to be undertaken.

The process plan further outlines the phases of the IDP and the development process. Phases of the were developed as follows:

Analysis Phase: The Municipality engaged in an intense Strategic Planning process, where a comprehensive analysis of the municipality was done, which resulted in identification of challenges in all performance areas.

Strategy Development Phase: This phase outlines the establishment of the SWOT analysis, review and development of strategic objectives and development of strategies. The latter mention issues were also dealt with in the strategic planning session. The Vision and Mission was reviewed in 2010/11 and the 2011/12 IDP review only aligned the reviewed strategies to the existing Vision and Mission.

Project Development Phase: The Project Development Phase outlines the development of projects. The projects are emanating from the challenges identified in the strategic planning session and public participation. The projects were developed in such a manner that they also

address National and Provincial priorities. Each project has cost estimation, time frames, sources of funding and beneficiaries. Projects were also developed per KPA.

Operational Plan: SDBIP: This chapter outlines a one year 2012/13 operational plan of the municipality. The plan only takes into consideration the projects and programmes with financial and human resource support. The SDBIP indicates when, how and who will be responsible for implementing each project and programme. The SDBIP addresses all projects and programmes in the projects phase.

Financial Plan: This chapter outlines the financial position of the Municipality, its Mid-year performance budget, the planned budget for 2012/13. The Mid-year Budget performance influences the compilation of the following financial year.

Integration phase: this phase indicates all sector plans that forms and aligned to the IDP.

The IDP was developed in consultation with all stakeholders and was approved by Council in 25th May 2012.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

Explanatory note for SA7- Measurable performance objectives

The municipality is currently updating its data relating to service delivery backlogs. For the purposes of MBRR Table SA7, the budget allocated to address backlogs has been used as a unit of measurement for all services delivery objectives, instead of more explicit units of measurement such as kms of roads, number of housing units etc as per National Treasury Guidelines.

7.3. OVERVIEW OF BUDGET RELATED POLICIES

The municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The major ones are listed below and only Supply chain policy was reviewed, others were not reviewed.

- Credit control policy
- Budgeting policy
- Cash and investment policy
- Supply chain management policy
- Property rate policy

Council notes that most of its budget related policies are due for review.

7.4. LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed Two interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Municipality has not yet established its own Audit Committee, However, an Audit Committee appointed by the District Municipality provides shared services to all the local municipalities in the district.

OTHER SUPPORTING DOCUMENTS

Supporting details to budget are contained in supporting tables SA1 to SA37.

SUPPORTING TABLES

8. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

To: Provincial Treasury, Limpopo

National Treasury, South Africa

QUALITY CERTIFICATE ON THE APPROVED MTREF BUDGET

I, GEZANI ISAAC MASINGI, municipal manager of GREATER GIYANI MUNICIPALITY, hereby certify that the approved budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the regulations made under the Act, and the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

______________________ ______________________

GI Masingi **Date**
Municipal Manager:
Greater Giyani Municipality
LP331